



**UNITED STATES**  
**NUCLEAR REGULATORY COMMISSION**  
WASHINGTON, D.C. 20555-0001

November 15, 2018

MEMORANDUM TO: Chairman Svinicki

FROM: Hubert T. Bell */RA/*  
Inspector General

SUBJECT: RESULTS OF THE AUDIT OF THE U.S. NUCLEAR  
REGULATORY COMMISSION'S CLOSING PACKAGE  
FINANCIAL STATEMENTS FOR FISCAL YEAR 2018  
(OIG-19-A-03)

This memorandum transmits the Acuity Consulting, Inc. (Acuity) Independent Auditor's Report on the U.S. Nuclear Regulatory Commission's (NRC) Closing Package Financial Statements as of and for the Fiscal Year (FY) ended September 30, 2018. This audit was performed for the purpose of providing financial information to the U.S. Department of the Treasury, the Office of Management and Budget, and the U.S. Government Accountability Office for use in preparing and auditing the *Financial Report of the U.S. Government*. The Office of the Inspector General retained the services of Acuity to conduct this audit.

**Audit Results**

Acuity issued an unmodified opinion, dated November 13, 2018, on NRC's Closing Package Financial Statements as of and for the FY ended September 30, 2018.

If you have any questions, please call me at (301) 415-5930 or Dr. Brett M. Baker, Assistant Inspector General for Audits, at (301) 415-5915.

Attachment: As stated

cc: Commissioner Baran  
Commissioner Burns  
Commissioner Caputo  
Commissioner Wright  
M. Doane, OEDO  
M. Wylie, OCFO  
H. Rasouli, OEDO  
J. Jolicoeur, OEDO  
J. Bowen, OEDO  
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November 13, 2018



# **Audit of the U.S. Nuclear Regulatory Commission's Closing Package Financial Statements**

## **Fiscal Year 2018 Closing Package**

### **Independent Auditor's Report**



## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

To: Inspector General  
U.S. Nuclear Regulatory Commission

Chairman  
U.S. Nuclear Regulatory Commission

### **Report on the Closing Package Financial Statements**

We have audited the accompanying Closing Package Financial Statements Report of the U.S. Nuclear Regulatory Commission (NRC), which comprise the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2018, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the closing package financial statements). The notes to the financial statements comprise the following:

- the GTAS Closing Package Lines Loaded Report;
- the Financial Report (FR) Notes Report (except for information in the FR Notes Report entitled “2017 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” “Threshold,” and the information as of and for the year-ended September 30, 2017, in the “Text Data” of the FR Notes Reports); and
- the accompanying Additional Notes A and B, except for the information as of and for the year ended September 30, 2017.

### **Management's Responsibility for the Closing Package Financial Statements**

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S., and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those



## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the closing package financial statements referred to above present fairly, in all material respects, the financial position of NRC as of September 30, 2018, and its net costs and changes in net position for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

We draw attention to Additional Note A to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared in accordance with the requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM 2-4700) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the balance sheet of NRC as of September 30, 2018, and the related statements of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended (hereinafter referred to as "general purpose financial statements"). The notes to the closing package financial statements are those that the U.S. Department of the Treasury deemed relevant to the *Financial Report of the U.S. Government*. Our opinion is not modified with respect to this matter.



## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

### **Other Matters**

#### Opinion on the General Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S., and OMB Bulletin No. 19-01, the general purpose financial statements of NRC as of and for the years ended September 30, 2018 and 2017, and our report thereon, dated November 7, 2018, expressed an unmodified opinion on those financial statements.

#### Required Supplementary Information

U.S. generally accepted accounting principles require that the information, except for such information entitled "2017 – September," "Prior Year," "PY," "Previously Reported," "Line Item Changes," and "Threshold" and the information as of and for the year ended September 30, 2017 included in the "Text Data" of the FR Notes Reports and "Other Text Data" of the Other Data Report, included in Other Data Report No. 9 be presented to supplement the basic closing package financial statements.

Such information, although not a part of the basic closing package financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the closing package financial statements, and other knowledge we obtained during our audits of the closing package financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the combining Statement of Budgetary Resources and Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the closing package financial statements. Such missing information, although not a part of the closing package financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context. Our opinion on the closing package financial statements is not affected by this missing information.





## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information other than that described in the first paragraph and the paragraph labeled "Required Supplemental Information" is presented for purposes of additional analysis in accordance with TFM 2-4700 and is not a required part of the closing package financial statements. We read the other information included with the closing package financial statements in order to identify material inconsistencies, if any, with the audited closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements as of and for the year ended September 30, 2018, and, accordingly, we do not express an opinion or provide any assurances on it.

### **Restriction on Use of the Report on the Closing Package Financial Statements**

This report is intended solely for the information and use of NRC management, NRC's Office of Inspector General, the U.S. Department of the Treasury, OMB, and the U.S. Government Accountability Office in connection with the preparation and audit of the *Financial Report of the U.S. Government* and is not intended to be and should not be used by anyone other than these specified parties.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 19-01, we have also issued reports dated November 7, 2018, on our consideration of NRC's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 19-01 in considering NRC's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit of the closing package financial statements.

Our audit of NRC's general purpose financial statements as of and for the year ended September 30, 2018, disclosed no material weaknesses, significant deficiencies, or instances of reportable noncompliance.



## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

### **Internal Control over Financial Reporting Specific to the Closing Package Financial Statements**

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 2018, we also considered NRC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion of the effectiveness of NRC's internal control. Accordingly, we do not express an opinion on the effectiveness of NRC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control for the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters Specific to the Closing Package Financial Statements**

As part of obtaining reasonable assurance about whether NRC's closing package financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the closing package financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. 19-01.





## INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

### **NRC's Response to Findings**

After reviewing a draft of this report, NRC stated it had no comments. NRC's response was not subjected to the auditing procedures applied in the audit of the closing package financial statements and, accordingly, we express no opinion on it.

### **Purpose of the Other Reporting Required by *Government Auditing Standards***

The purpose of the communication provided in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NRC's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control and compliance with provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a material effect on the closing package financial statements. Accordingly, this communication is not suitable for any other purpose.

*Acuity Consulting, Inc.*

Acuity Consulting, Inc.  
Alexandria, Virginia  
November 13, 2018

**U.S. Department of Treasury Bureau of the Fiscal Service**  
**GTAS**  
**Reconciliation Report**  
**Reclassified Balance Sheet**

**Fiscal Period:** 2018, 12 - September

**AID: 031**

		<b>ATB Amount</b>
<b>1</b>	<b>Assets</b>	
<b>2</b>	<b>Non-federal</b>	
<a href="#">2.2</a>	Accounts and taxes receivable, net	69,639,738.30
<a href="#">2.5</a>	Property, plant, and equipment, net	65,072,818.15
<a href="#">2.8</a>	Other assets	57,136.88
2.9	Total non-federal assets	134,769,693.33
<b>3</b>	<b>Federal</b>	
<a href="#">3.1</a>	Fund balance with Treasury (RC 40)/1	386,894,200.92
<a href="#">3.3</a>	Accounts receivable (RC 22)/1	5,680,419.70
<a href="#">3.10</a>	Advances to others and prepayments (RC 23)/1	9,188,840.17
3.13	Total federal assets	401,763,460.79
4	Total assets	536,533,154.12
<b>5</b>	<b>Liabilities:</b>	
<b>6</b>	<b>Non-federal</b>	
<a href="#">6.1</a>	Accounts payable	25,683,191.42
<a href="#">6.3</a>	Federal employee and veteran benefits payable	5,947,333.29
<a href="#">6.9</a>	Other liabilities	71,704,379.24
6.10	Total non-federal liabilities	103,334,903.95
<b>7</b>	<b>Federal</b>	
<a href="#">7.1</a>	Accounts payable (RC 22)/1	6,210,598.56
<a href="#">7.8</a>	Benefit program contributions payable (RC 21)/1	4,247,913.75
<a href="#">7.9</a>	Advances from others and deferred credits (RC 23)/1	17,892.56
<a href="#">7.10</a>	Liability to the General Fund of the U.S. Government for custodial and other non-entity assets (RC 46)/1	29,876.03
<a href="#">7.11</a>	Other liabilities (without reciprocals) (RC 29)/1	1,102,408.94
7.14	Total federal liabilities	11,608,689.84
8	Total liabilities	114,943,593.79
<b>9</b>	<b>Net position:</b>	
<a href="#">9.2</a>	Net Position - funds other than those from dedicated collections	421,589,560.33
10	Total net position	421,589,560.33
11	Total liabilities and net position	536,533,154.12

Due to an Excel limitation with number precision, any amounts that exceed 15 digits may be displayed incorrectly.

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**U.S. Department of Treasury Bureau of the Fiscal Service**  
**GTAS**  
**Reconciliation Report**  
**Reclassified Statement of Net Cost**

**Fiscal Period:** 2018, 12 - September

**AID: 031**

		<b>ATB Amount</b>
<b>1</b>	<b>Gross cost</b>	
<a href="#">2</a>	Non-federal gross cost	684,918,295.13
6	Total non-federal gross cost	684,918,295.13
<b>7</b>	<b>Federal gross cost</b>	
<a href="#">7.1</a>	Benefit program costs (RC 26) /2	84,596,936.71
<a href="#">7.2</a>	Imputed costs (RC 25) /2	30,420,608.00
<a href="#">7.3</a>	Buy/sell cost (RC24) /2	127,291,383.62
<a href="#">7.4</a>	Purchase of assets (RC 24) /2	1,522,655.32
<a href="#">7.8</a>	Other expenses (without reciprocals) (RC 29)	27,710,242.68
8	Total federal gross cost	271,541,826.33
9	Department total gross cost	956,460,121.46
<b>10</b>	<b>Earned revenue</b>	
<a href="#">11</a>	Non-federal earned revenue	719,733,928.72
<b>12</b>	<b>Federal earned revenue</b>	
<a href="#">12.2</a>	Buy/sell revenue (exchange) (RC 24) /2	55,025,278.90
<a href="#">12.3</a>	Purchase of assets offset (RC 24) / 2	1,522,655.32
13	Total federal earned revenue	56,547,934.22
14	Department total earned revenue	776,281,862.94
15	Net cost of operations	180,178,258.52

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**U.S. Department of Treasury Bureau of the Fiscal Service**  
**GTAS**  
**Reconciliation Report**  
**Reclassified Stmt. of Operations and Changes in Net Position**

Fiscal Period: 2018, 12 - September

**FR ENTITY: 3100 - U.S. Nuclear Regulatory Commission**

		<b>ATB Amount</b>	<b>Manual Adjustment</b>	<b>Final Amount</b>
<a href="#">1</a>	Net position, beginning of period	431,612,199.79		431,612,199.79
<b>2</b>	<b>Non-federal prior-period adjustments:</b>			
<a href="#">2.2</a>	Corrections of errors - non-federal	-367,523.37		-367,523.37
<b>3</b>	<b>Federal prior-period adjustments</b>			
4	Net position, beginning of period - adjusted	431,244,676.42		431,244,676.42
<b>5</b>	<b>Non-federal non-exchange revenue:</b>			
<a href="#">5.7</a>	Other taxes and receipts	393,967.77		393,967.77
5.9	Total non-federal non-exchange revenue	393,967.77		393,967.77
<b>6</b>	<b>Federal non-exchange revenue:</b>			
<b>7</b>	<b>Budgetary financing sources:</b>			
<a href="#">7.1</a>	Appropriations received as adjusted (rescissions and other adjustments) (RC 41) / 1	140,102,534.43		140,102,534.43
<a href="#">7.2</a>	Appropriations used (RC 39)	121,936,288.71		121,936,288.71
<a href="#">7.3</a>	Appropriations expended (RC 38) / 1	121,936,288.71		121,936,288.71
7.20	Total budgetary financing sources	140,102,534.43		140,102,534.43
<b>8</b>	<b>Other financing sources:</b>			
<a href="#">8.3</a>	Imputed financing sources (RC 25) / 1	30,420,608.00		30,420,608.00
<a href="#">8.4</a>	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)	357,587.95		357,587.95
<a href="#">8.5</a>	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)	36,379.82		36,379.82
8.11	Total other financing sources	30,026,640.23		30,026,640.23
9	Net cost of operations (+/-)	180,178,258.52		180,178,258.52
10	Net position, end of period	421,589,560.33		421,589,560.33

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NUCLEAR REGULATORY COMMISSION  
FINANCIAL STATEMENT CLOSING PACKAGE ADDITIONAL NOTES A AND B  
SEPTEMBER 30, 2018

**A. Closing Package Financial Statement Requirements**

The *Budget and Accounting Procedures Act of 1950* allows the Secretary of the Treasury to stipulate the format and requirements of executive agencies to furnish financial and operational information to the President and the Congress to comply with the *Government Management Reform Act of 1994* (GMRA) (Pub. L. No. 103-356), which requires the Secretary of the Treasury to prepare and submit annual audited financial statements of the executive branch. The Secretary of the Treasury developed guidance in the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM 2-4700) to provide agencies with instructions to meet the requirements of GMRA. TFM 2-4700 requires agencies to:

1. Submit a Government-wide Treasury Account Symbol Adjusted Trial Balance that will be used to populate a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and Reclassified Statement of Operations and Changes in Net Position;
2. List closing package financial statement line item amounts identified as Federal by trading partner and amount;
3. Report Financial Report (FR) notes information that is based on the Reclassified Balance Sheet line items and other notes information required to meet Federal Accounting Standards Advisory Board (FASAB) standards;
4. Report other data information that is not based on the Reclassified Balance Sheet line items and other data noted information required to meet FASAB standards; and
5. Report the information in the FR Notes Report and Other Data Report entitled "2017 – September," "Prior Year," "PY," "Previously Reported," "Line Item Changes," and "Threshold," and the information as of and for the year-ended September 30, 2017, included in the "Text Data" of the FR Notes Reports and "Other Text Data" of the Other Data Reports and the information in the Additional Notes A and B related to the prior year balances, for purposes of additional analysis in accordance with TFM 2-4700. Such information is not a required part of the closing package financial statements.

## **B. Summary of Significant Accounting Policies**

### **Reporting Entity**

The Nuclear Regulatory Commission (NRC) is an independent regulatory agency of the United States Federal Government that the Congress created to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. Its purposes are defined by the *Energy Reorganization Act of 1974*, as amended, along with the *Atomic Energy Act of 1954*, as amended, which provide the foundation for regulating the Nation's civilian use of nuclear materials.

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses (which includes funds derived from the Nuclear Waste Fund) and the Office of the Inspector General (OIG).

### **Basis of Presentation**

These financial statements report the financial position and results of operations of the NRC as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These financial statements were prepared from the books and records of the NRC in conformance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*. GAAP for Federal entities are the standards prescribed by the FASAB, which is the official body for setting the accounting standards of the U.S. Government. These statements are different from the financial reports prepared by the NRC in compliance with OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

The NRC has not presented a Statement of Custodial Activity because the amounts involved are immaterial and incidental to the agency's operations and mission.

### **Budgets and Budgetary Accounting**

Budgetary accounting measures appropriation and consumption of budget spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

Congress passed the *Consolidated Appropriations Act, 2018*, that funded the NRC's budget at a level of \$909.1 million for Fiscal Year (FY) 2018. Not more than \$9.5 million of the appropriation may be made available for the costs of the Office of the Commission until September 30, 2019. Additionally, Congress enacted a 2-year appropriation of \$12.9 million for the OIG, which was available for obligation by the NRC through September 30, 2019.

In FY 2017, Congress passed the *Consolidated Appropriations Act, 2017*, that funded the NRC's budget at a level of \$905 million for FY 2017. Not more than \$7.5 million of the appropriation may be made available for the costs of the Office of the Commission until September 30, 2018.



Additionally, Congress enacted a 2-year appropriation of \$12.1 million for the OIG, which was available for obligation by the NRC through September 30, 2018.

### **Basis of Accounting**

These financial statements reflect accrual accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

### **Revenues and Other Financing Sources**

The NRC is required to offset its appropriations by revenue received during the FY from the assessment of fees. The NRC assesses two types of fees to recover its appropriation:

1. Fees assessed to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees under Title 10 of the Code of Federal Regulations (CFR) Part 170, "Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the *Atomic Energy Act of 1954*, as Amended," for licensing, inspection, and other services under the authority of the *Independent Offices Appropriation Act of 1952*.
2. Annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses."

Licensing revenues are recognized on a straight-line basis over the licensing period. The annual licensing period for reactor and materials fees begins October 1 and ends September 30. Annual fees for reactors are invoiced in four quarterly installments, before the end of each quarter. The NRC invoices licensees for materials annual fees in the month the license was originally issued. Inspection fees are recorded as revenues when the services are performed.

For accounting purposes, appropriations are recognized as a financing source (appropriations used) at the time goods and services are received. Periodically during the FY, appropriations recognized are reduced by the amount of assessed fees collected during the FY to the extent of new budget authority for the year. Collections that exceed 90 percent of the NRC's appropriation, excluding amounts appropriated for Waste Incidental to Reprocessing, Generic Homeland Security, Advanced Reactor Regulatory Infrastructure, International Activities, and Inspector General services for the Defense Nuclear Facilities Safety Board, are held to offset subsequent years' appropriations. Appropriations expended for property and equipment are recognized as expenses when the asset is consumed in operations as reflected by the depreciation and amortization expense.

### **Fund Balance with Treasury**

The Treasury processes the NRC's cash receipts and disbursements. The Fund Balance with Treasury is primarily appropriated funds and license fee collections that are available to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury represents the NRC's right to draw on the Treasury for allowable expenditures.

### **Accounts Receivable**

Accounts receivable consist of amounts that other Federal agencies and the public owe to the

NRC. Amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is determined based on the age of the receivable and allowance rates established from historical experience. Receivables from Federal agencies are expected to be collected; therefore, there is no allowance for uncollectible accounts for Federal agencies.

### **Non-Entity Assets**

Non-entity assets consist of miscellaneous penalties and interest due from the public that when collected, must be transferred to the Treasury.

### **Property and Equipment**

Property and equipment consist primarily of typical office furnishings, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The costs of internal use software include the full cost of salaries and benefits for agency personnel involved in software development. The NRC has no real property. The land and buildings in which the NRC operates are leased through the General Services Administration (GSA), for rent that approximates the commercial rental rates for similar properties.

Property with a cost of \$50,000 or more per unit and a useful life of 2 years or more is capitalized at cost and depreciated using the straight-line method over the useful life of the asset. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

### **Accounts Payable**

The NRC uses an estimation methodology to calculate the accounts payable balance, which represents costs for billed and unbilled goods and services received before to year-end that are unpaid. The NRC calculates the accounts payable amount using an average based on the historical trend of validated accruals. The estimation methodology is validated quarterly.

### **Liabilities Not Covered by Budgetary Resources**

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of the end of the FY. These liabilities are not funded from current or prior-year appropriation and assessments, but are funded from future appropriations and assessments.

Liabilities represent the amount of monies or other resources that are likely to be paid by the NRC as the result of a transaction or event that has already occurred. The NRC cannot pay liabilities without an appropriation. Liabilities for which an appropriation has not been enacted are classified as “Liabilities Not Covered by Budgetary Resources” and fall into the following three categories:

1. **Intragovernmental.** The NRC records a liability to the U.S. Department of Labor (DOL) for Federal Employees Compensation Act (FECA) benefits paid by the DOL on behalf of the NRC.
2. **Federal Employee Benefits.** Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The DOL generates the future workers’ compensation estimate from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical

and miscellaneous costs for approved compensation cases. The liability is calculated using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

3. **Other.** This category includes the amount of accrued annual leave earned by the NRC employees but not yet taken and contingent liabilities that have the probable likelihood of an adverse outcome.

### **Contingencies**

Contingent liabilities are those for which the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. Accounting treatment of the contingency depends on if the likely outcome is considered probable, reasonably possible, or remote.

A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. This type of contingency is recorded in the financial statements as a contingent liability (included in Other Liabilities) and as an expense. It should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. This type of contingency is disclosed in the notes to the financial statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

A contingency is considered remote when the chance of the future event or events occurring is slight. This type of contingency is not recognized as a liability and as an expense in the financial statements, nor is it disclosed in the notes when the chance of the future event or events occurring is remote.

### **Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent that current or prior-year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

### **Retirement Plans**

The NRC employees belong to either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS).

The NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the U.S. Office of Personnel Management. The portion of the current and estimated future outlays for FERS and CSRS not paid by the NRC is included in NRC's

financial statements as an imputed financing source in the Statement of Changes in Net Position and as program costs on the Statement of Net Cost.

The NRC employees make mandatory contributions to their retirement plans through payroll deductions as required by law. For employees belonging to FERS and receiving an appointment before January 1, 2013, the NRC withheld 0.8 percent of base pay earnings and made an employer contribution of 13.7 percent in 2018 and 13.7 percent in 2017. In accordance with *Public Law 112-96, Section 5001 of the Middle Class Tax Relief and Job Creation Act of 2012*, employees hired after January 1, 2013, as Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) must pay 3.1 percent of their salary to retirement contributions, with 11.9 percent in 2018 and 11.9 percent in 2017 for employer matching contribution. For employees hired after January 1, 2014, as Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) must pay 4.4 percent of their salary to retirement contributions, with 11.9 percent in 2018 and 11.9 percent in 2017 for employer matching contribution. The sum is transferred to the Federal Employees Retirement Fund. For employees covered by CSRS, the NRC withholds 7 percent of base pay earnings. The NRC matched this withholding with a 7 percent contribution in FY 2018 and FY 2017.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited, but it is subject to the maximum contribution of \$18,500 in 2018 and \$18,000 in 2017. For employees participating in FERS, the NRC automatically contributes 1 percent of base pay to the employee's account and matches contributions up to an additional 4 percent. For employees participating in CSRS, the NRC does not match the contribution. The sum of the employees' and the NRC's contributions is transferred to the Federal Retirement Thrift Investment Board.

## **Leases**

The NRC has two types of leases: capital leases and operating leases.

Capital leases: Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are reported in the Balance Sheet as an asset under Property and Equipment and as a liability under Other Liabilities. If at its inception, a lease meets one or more of the following four criteria, the lessee should classify the lease as a capital lease:

1. The lease transfers the ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal or greater than 75 percent of the estimated economic life of the leased property.
4. The present value of rental or other minimum lease payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

The NRC's capital leases are for personal property consisting of reproduction equipment that is installed at the NRC Headquarters.

Operating leases: The FASAB defines an operating lease as a lease in which the Federal entity does not assume the risks of ownership of the property, plant, and equipment (PP&E). It is an agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

Operating leases at the NRC consist of real property leases with the GSA. The leases are for the NRC's Headquarters, regional offices, and Technical Training Center (TTC). The GSA charges the NRC lease rates that approximate commercial rates for comparable space.

### **Pricing Policy**

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular A-25, "Transmittal Memorandum #1, User Charges," and the *Independent Offices Appropriation Act of 1952*, the NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

The NRC's policy is to recover the full cost of goods and services provided to other Government entities where the services performed are not part of the agency's statutory mission and the NRC has not received appropriations for those services. Fees for reimbursable work are assessed at the 10 CFR Part 170 rate with minor exceptions for programs that are nominal activities of the NRC.

### **Net Position**

The NRC's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent (1) appropriated spending authority that is unobligated and has not been withdrawn by the Treasury, and (2) unliquidated obligations and expenditures not yet disbursed. Cumulative results of operations represent the excess of financing sources over expenses since inception.

### **Use of Management Estimates**

The preparation of the accompanying financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

### **Statement of Net Cost**

The programs as presented on the Statement of Net Cost are based on the annual performance budget and are described as follows:

- The Nuclear Reactor Safety program encompasses all the NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects public health and safety, and the environment, and protects against radiological sabotage and theft or diversion of special nuclear materials. The Nuclear Reactor Safety program contains the following activities: operating reactors and new reactors.

- The Nuclear Materials and Waste Safety program encompasses all the NRC efforts to protect the public health and safety, and the environment, and ensures the secure use and management of radioactive materials. The Nuclear Materials and Waste Safety program contains the following activities: fuel facilities, nuclear materials users, decommissioning and low-level waste, spent fuel storage and transportation, and a high-level waste repository.

For intragovernmental gross costs and revenue, the buyers and sellers are Federal entities. For earned revenues from the public, the buyers of the goods or services are non-Federal entities.

**Closing Package Financial Statements Reporting Requirements**

The closing package financial statement report has been prepared for the purpose of complying with the requirements of the U.S. Department of Treasury's TFM Volume 1, Part 2, Chapter 4700 and supplemental guidance to the TFM Volume 1, Part 2, Chapter 4700 dated July 31, 2018.